

## Message Text

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ACTION XMB-04

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /055 W

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P 100901Z SEP 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 6673

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E.O.11652: NA

TAGS: EFIN, ELTN, ID

SUBJECT: GENERAL ELECTRIC WINS THIRD GOI LOCOMOTIVE ORDER

REF: JAKARTA 10971

1. DR. SALEH AFFIF, DEPUTY CHAIRMAN BAPPENAS, HAS INFORMALLY ADVISED US THAT GENERAL ELECTRIC IS SUCCESSFUL BIDDER FOR SIXTEEN 1500-HP DIESEL ELECTRIC LOCOMOTIVES. THIS IS PART OF A TENDER FOR A TOTAL OF 81 LOCOMOTIVES CONSISTING OF THE FOLLOWING:  
16-1500-HP DIESEL ELECTRIC LOCOMOTIVES  
20-1000-HP DIESEL ELECTRIC LOCOMOTIVES  
45-350-HP SHUNTING LOCOMOTIVES  
REMAINDER OF TENDER (65 UNITS) WAS WON BY WEST GERMANS. GOI HAS MADE IT A CONDITION OF GE'S SUCCESSFUL BID THAT EXIM FINANCING BE ARRANGED WITHIN THREE WEEKS. IF THIS CONDITION IS NOT MET, DR. AFFIF TOLD US BID WOULD GO TO NUMBER TWO BIDDER, WHICH WE UNDERSTAND IS GENERAL MOTORS OF CANADA.

2. A PREREQUISITE OF ORIGINAL TENDER FOR 81 UNITS WAS THAT BIDDER HAVE A FINANCE PACKAGE ALREADY ARRANGED IN FORM OF BUYERS CREDIT. TO COMPLY WITH THIS REQUIREMENT GE OBTAINED A PRELIMINARY COMMITMENT FROM EXIM FOR AN  
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ESTIMATED \$29 MILLION WHICH WOULD HAVE COVERED THE ENTIRE

TNEDER FOR 81 LOCOMOTIVES. WE UNDERSTAND EXIM'S PC  
RUNS UNTIL SEPTEMBER 30.

3. DR. AFFIF TOLD US THAT DEPARTMEN OF COMMUNICATIONS  
HAS RUN INTO SPENDING CEILING WHICH BAPPENAS, DEPARTMENT  
OF FINANCE AND BANK INDONESIA HAVE IMPOSED ON EACH  
GOVERNMENT MINISTRY (DESIGNED TO KEEP GOI BORROWINGS  
WITHIN IGGI-PROPOSED LIMITS) AND, AS A CONSEQUENCE,  
DEPARTMENT OF COMMUNICATIONS WILL HAVE TO SCALE DOWN ITS  
1500-HP LOCOMOTIVE ORDER FROM 16 TO 11 UNITS. FOR SAME  
REASON, EARLIER GE ORDER FOR 21 MODEL U18C DIESEL  
ELECTRIC LOCOMOTIVES, AND WHICH EXIM AGREED TO FINANCE  
AT END OF AUGUST, HAS ALSO BEEN REDUCED TO A TOTAL OF  
10 UNITS. GOI WANTS TO RETAIN OPTION ON REMAINING 5  
AND 11 UNITS RESPECTIVELY.

4. AT END OF AUGUST EXIM AGREED TO A LOAN OF \$11.3 MILLION  
TO FINANCE THE PURCHASE OF 21 MODEL U18C UNITS. REDUC-  
TION OF THIS ORDER TO 10 UNITS REDUCES THE LOAN REQUIRE-  
MENT TO \$5.4 MILLION. THE AMOUNT OF LOAN REQUIRED FOR  
THE 11 1500-HP UNITS IS SYPROXIMATELY \$5.5 MILLION.  
THIS MEANS THAT INSTEAD OF APPLYING FOR A NEW EXIM LOAN  
FOR \$5.5 MILLION THE GOI MIGHT WANT TO USE THE \$11.3  
MILLION LOAN RECENTLY APPROVED BY EXIM FOR THE PRESENT  
COMBINATION OF 10 AND 11 LOCOMOTIVES. WE DO NOT BELIEVE  
GOI HAS MADE ANY DECISION ON THIS POSSIBILITY ALTHOUGH  
IT IS BEING ENCOURAGED TO CHOOSE THIS COURSE OF ACTION  
BY GENERAL ELECTRIC WHICH FEARS THAT IF GOI GOES TO EXIM  
FR A NEW LOAN OF \$5.5 MILLION IT MAY BE TURNED DOWN  
BECAUSE OF THE COMPARATIVELY SMALL AMOUNT OF MONEY  
INVOLVED. AS WE SEE IT, PROBLEM WITH USING ONLY THE  
\$11.3 MILLION LOAN IS THAT THERE WOULD THEN BE NO  
FINANCING ARRANGEMENTS IN PLACE IF, AS WE BELIEVE IS LIKELY,  
GOI ELECTS TO EXERCISE ITS OPTION ON REMAINING 16 UNITS  
LATER NEXT YEAR.

5. IN ANY EVENT, SINCE EXIM HAS ALREAD GIVEN PRELIMINARY  
COMMITMENT ON MOST RECENT LOCOMOTIVE AWARD, AND IN VIEW  
OF 21-DAY TIME LIMIT FOR FINANCIAL ARRANGEMENTS, WE HOPE  
EXIM WILL ACT QUICKLY AND FAVORABLY ON GOI LOAN APPLICA-  
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TION WHICHEVER FORM THAT APPLICATION TAKES.

6. WITH REGARD TO PROPOSED VISIT TO INDONESIA BY EXIM  
TEAM, DR. AFFIF TOLD US THAT INDONESIAN AMBASSADOR IN  
WASHINGTON HAS BEEN INSTRUCTED TO INFORM EXIM THAT GOI  
COULD RECEIVE THEM AFTER OCTOBER.  
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## Message Attributes

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